

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of)	
)	
High-Cost Universal Service Support)	WC Docket No. 05-337
)	
Federal-State Joint Board on)	
Universal Service)	CC Docket No. 96-45
)	

Reply Comments of Iowa Wireless Services, LLC d/b/a i wireless

I. Introduction and Summary

Iowa Wireless Services, LLC hereafter referred to as “i wireless”, hereby submits these reply comments in response to the three notices of proposed rulemaking released January 29, 2008.

i wireless is a local Personal Communications Services (“PCS”) licensee Tier III carrier providing service in Iowa, eastern South Dakota, eastern Nebraska and western Illinois. i wireless is an Eligible Telecommunications Carrier (ETC) only in the state of Iowa.

In general i wireless agrees with the comments filed by CTIA-The Wireless Association, T-Mobile USA, Inc., and Sprint Nextel Corporation. Like the majority of the parties that filed comments, i wireless agrees that the Universal Service Fund (USF) is in need of reform.

The current USF bases support on Incumbent Local Exchange Carrier (ILEC) costs and does not provide any incentive for cost efficiency. The

complex cost based support mechanism is expensive for carriers to maintain and for regulators to administer. The current program does not determine if support is actually needed. Carriers have multiple options for recovering cost, from increasing rates to providing auxiliary services. There is no accountability to determine if the support is accomplishing the goal of universal service.

i wireless believes the Joint Board proposals will not accomplish the Joint Board stated targets of USF comprehensive reform. The September 2007 Public Notice released by the Joint Board, stated the reforms should be based on the principles of cost control, accountability, state participation, and infrastructure build-out in unserved areas.

The Joint Board proposals unfairly and in violation of competitive principles of the 1976 Communications Act, leave ILEC subsidies in tact while reducing or eliminating subsidies to competitive eligible telecommunications carriers (CETC).

II. Universal Service Support Must Be Competitively Neutral and Non-Discriminatory

CTIA¹, SouthernLinc Wireless², and T-Mobile³ enumerate the statutory and case law requiring universal service support to be competitively neutral and non-discriminatory. These comments and those of other wireless carriers convincingly demonstrate that the commission's proposals to eliminate the

¹ See Comments of CTIA-The Wireless Associates at 12-14 High Cost Universal Service Support WC Docket No. 05-337 (April 17, 2008).

² See Comments of SouthernLinc Wireless at 2-4, High Cost Universal Service Support WC Docket No. 05-337 (April 17, 2008).

³ See Comments of T-Mobile Inc. at 4-8, High Cost Universal Service Support WC Docket No. 05-337 (April 17, 2008).

identical support rule violate statutory requirements to provide USF support on a technology neutral basis.

The following proposals are unreasonably discriminatory and are not technology neutral:

- Capping the high cost funds available to wireless carriers at one third the amount available to ILECS.
- Barring wireless carriers from support from certain high cost funds.
- Imposing an embedded cost requirement that limits the level of eligible cost to the per line support of the ILEC.

The Joint Board proposes capping the Mobility fund at one third of the proposed cap for the Provider of Last Resort (POLR) fund available to ILECS (one billion for wireless providers and three billion for ILECS)⁴. The Joint Board Recommendation states the primary objective of the Mobility fund is expansion of geographic coverage⁵. Like ILECS, wireless carriers have ongoing provisional costs to provide service in high cost areas. In many high-cost rural areas it will be uneconomical for wireless carriers to provide service once initial construction is complete. Most high cost support currently provided to wireline companies is for the provision and maintenance of an existing mature network. It is unreasonably discriminatory to focus wireless support on construction costs while continuing to provide support to ILECS for on-going maintenance costs.

⁴ See Comments of CTIA-The Wireless Associates at 15 High Cost Universal Service Support WC Docket No. 05-337 (April 17, 2008).

⁵ NPRM at ¶ 36.

The Commission tentatively concludes that competitive ETCs, 98% of which are wireless carriers⁶, should not receive Interstate Access Support (IAS), Interstate Common Line Support (ICLS), and Local Switching Support (LSS). The Commission justifies the elimination of these USF supports on the grounds that these are replacements for access costs and wireless carriers never collected access costs. This does not mean that wireless carriers do not have these same types of costs. Wireless carriers have never had the ability through regulation to pass its costs on to other carriers. Wireless carriers have recovered these costs from its end users.

If wireless carriers no longer have access to these USF supports in high-cost areas, wireless rates will be unaffordable for many customers. Wireless carriers are disadvantaged competitively when ILECS are provided USF support to subsidize low rates for end-user customers while wireless carriers serving in the same high-cost area are denied the subsidy for their end users. Competitive neutrality demands that the subsidies either be available in the same high cost areas for providers of both technologies or eliminated for both.

T-Mobile points out in its comments that these funds, by the Commissions' orders, are portable and as USF support must be available to CETCs.⁷

Requiring wireless carriers to provide cost support using landline models is unreasonable and not practical. Wireless carrier's network investment and

⁶ See Comments of T-Mobile Inc. at 6, High Cost Universal Service Support WC Docket No. 05-337 (April 17, 2008).

⁷ See Comments of T-Mobile Inc. at 7, High Cost Universal Service Support WC Docket No. 05-337 (April 17, 2008).

costs do not align with the cost categories of ILECs.⁸ i wireless agrees with U.S. Cellular, imposition of the Part 32 rules applicable to ILECs would be an unwarranted burden on wireless carriers⁹. The CETC support would not truly be based on CETC cost since the Commission proposes comparing the CETC support to the ILEC national average loop cost.¹⁰ Developing cost studies and calculating cost for CETCs is a step backward. Instead of reform of a system that is complex and provides no incentive for cost efficiencies, the Commission's proposal adds additional complexity and does not address the inherent problems of a cost based system.

The Commission also seeks comment on capping per-line support for CETCs at the level of ILEC per line support. The CETC support would be based "somewhat" on CETC costs unless it exceeds the per-line support of the ILEC serving in the same high-cost area. This one-sided proposal is clearly designed to arbitrarily reduce funding to CETCs. i wireless agrees with the comments of Alltel, any proposal that had the objective of treating both ILECs and CETCs in a fair and unbiased manner would also cap the support for the ILEC at the CETC level if it is the lowest.¹¹

The Commission justifies elimination of the identical support rule based upon its conclusion that wireless is not a complete substitute for wireline

⁸ See Comments of Sprint Nextel Corporation at 9-10 High Cost Universal Service Support WC Docket No. 05-337 (April 17, 2008).

⁹ See Comments of United States Cellular Corporation at 46 High Cost Universal Service Support WC Docket No. 05-337 (April 17, 2008).

¹⁰ See Comments of United States Cellular Corporation at 48 High Cost Universal Service Support WC Docket No. 05-337 (April 17, 2008).

¹¹ See Alltel Communications, LLC at 29 High Cost Universal Service Support WC Docket No. 05-337 (April 17, 2008).

service.¹² Wireless carriers compete directly with ILECs and competitive local exchange carriers (CLEC)¹³. i wireless offers an unlimited 30 day calling plan that offers all the services of the ILEC plus an expanded local calling area and mobility. This and many of the i wireless rate plans compete directly with the ILEC.

U.S. Cellular presents evidence from recent surveys that support conclusions that wireless competes with wireline on a substitution test.¹⁴ Studies show that wireless substitution has increased dramatically over the past few years¹⁵. Statistics from the Morgan Stanley study presented in U.S. Cellular comments indicate the percentage of customers that will “cut the cord” will accelerate. The Commission’s conclusion that wireless does not compete directly with wireline service ignores the wireless replacement trend of the past few years. The Commission’s proposals, based upon this conclusion, are short sighted and will not be appropriate for the marketplace by the time they are implemented.

III. Universal Service Reforms Should Consider Consumers.

The Telecommunications Act of 1996 at 47 U.S.C. § 254 (b) (3) states:

Consumers in all regions of the nation should have access to telecommunications and information services that are reasonably comparable to those services provided in urban areas and that are

¹² Identical Support NPRM ¶ 9.

¹³ See Comments of Alltel Communications, LLC at 9-11, High Cost Universal Service Support WC Docket No. 05-337 (April 17, 2008).

¹⁴ See Comments of United States Cellular Corporation at 36-42 High Cost Universal Service Support WC Docket No. 05-337 (April 17, 2008).

¹⁵ See Comments of United States Cellular Corporation at 38-42 High Cost Universal Service Support WC Docket No. 05-337 (April 17, 2008).

available at rates that are reasonably comparable to rates charged for similar services in urban areas.

47 U.S.C. § 254 (b) (3) begins with “Consumers” and the focus is on assuring rural consumers have comparable services at comparable rates. U.S. Cellular points out the fact that currently there is a rural/urban dichotomy in the wireless services available to consumers¹⁶. The Commission’s proposals to target USF reductions to wireless ETCS, ignores rural consumers’ demand and right to have available the same wireless services as urban consumers. If adopted, these proposals could result in higher wireless rates to rural customers, effectively pricing some customers out of the wireless market. Any USF reform should have as an objective to provide the telecommunications services customers demand at a reasonable rate.

IV. Commission Should Not Establish Three Separate Funds

The Commission should reject the three fund approach. Before the Commission establishes a new Mobility and Broadband Fund that’s primary focus is support of construction cost in unserved areas, the Commission should reform the current USF mechanisms. The Commission proposes to provide a POLR fund that would use the current support mechanism and provide support only to ILECS. i wireless agrees with the comments of the Missouri Public Service Commission, the Commissions proposals are not comprehensive reform. The proposals focus on reducing support to CETCS who receive approximately 1

¹⁶ See Comments of United States Cellular Corporation at 30-31 High Cost Universal Service Support WC Docket No. 05-337 (April 17, 2008).

billion dollars in support and leaves almost intact a system of support to the ILECS, who receive approximately 3.7 billion dollars.¹⁷ Meaningful reform should consider the need for the current level of support. As much as possible carriers should recover their cost from customers. Revenue from unregulated services should be a factor in determining the need for USF. Carriers receive support for investment and maintenance for a network that provides both regulated and non-regulated services. This should be a consideration in determining a carriers need for support. Comprehensive reform should address reform of the total USF, without consideration of whether the ETC is an ILEC or CETC.

The sole purpose of the reforms appears to be the reduction of support to CETCs. In justification of these one-sided proposals, the Commission states concern for the growth of the support paid to CETCs.¹⁸ The Commission does not take into consideration the growth in wireless service or the amount wireless carriers have contributed to USF.

i wireless is a CETC in Iowa and receives high-cost support. However, i wireless is not a net receiver from the fund. i wireless pays in approximately three times as much as it receives from USF support. As a net payer in the fund i wireless is very concerned that the Commissions proposals, if adopted, would funnel most of the USF support to its wireline competitors. It's reasonable to ask, if wireless carriers cannot receive support from the POLR fund, should they be required to contribute to it? If the Commission adopts separate disbursement funds for wireless and wireline carriers, rather than subsidize our wireline

¹⁷ See comments of Missouri Public Service Commission at 5-6 High Cost Universal Service Support WC Docket No. 05-337 (April 17, 2008).

competitors rates, i wireless would prefer a separate Mobile fund with separate funding by wireless carriers.

V. Conclusion

The Commission should reject the proposals in the competitive eligible telecommunications support NPRM. i wireless can only support USF reform that treats all providers equally. i wireless urges the Commission to develop comprehensive reforms consistent with statutory requirements that meet the Commissions stated goals of cost control and accountability for all ETCs.

Respectfully submitted,

A handwritten signature in black ink that reads "David Frost". The signature is written in a cursive, flowing style.

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May 30, 2008

¹⁸ Identical Support NPRM ¶ 4.